



General Assembly

February Session, 2016

***Raised Bill No. 28***

LCO No. 455



Referred to Committee on INSURANCE AND REAL ESTATE

Introduced by:  
(INS)

***AN ACT CONCERNING ACCELERATED BENEFITS OF LIFE  
INSURANCE POLICIES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-457 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2016*):

3 (a) As used in this section:

4 (1) "Accelerated benefits" means benefits payable under a life  
5 insurance policy sold in this state: (A) During the lifetime of the  
6 insured, in a lump sum or in periodic payments, as specified in the  
7 policy, (B) upon the occurrence of a qualifying event, as defined in the  
8 policy, and certified by a physician or an advanced practice registered  
9 nurse who is licensed under the laws of a state or territory of the  
10 United States, or such other foreign or domestic jurisdiction as the  
11 Insurance Commissioner may approve, and (C) [which] that reduce  
12 the death benefits otherwise payable under the life insurance policy.

13 (2) "Insurance policy" or "policy" means an insurance policy or

14 certificate or rider or endorsement thereto.

15 (3) "Qualifying event" means (A) a medically determinable  
16 condition suffered by the insured that can be expected to result in  
17 death in a relatively short period of time, such as twelve months and  
18 may include, but is not limited to, coronary artery disease, myocardial  
19 infarction, stroke, kidney failure or liver disease, (B) a [medical]  
20 medically determinable condition that would, in the absence of  
21 extensive or extraordinary medical treatment, result in death in a  
22 relatively short period of time, such as twelve months, [or] (C) a  
23 medically determinable condition [suffered by the insured, which has  
24 resulted in the insured being considered a chronically ill individual for  
25 the purposes of Section 101(g) of the Internal Revenue Code of 1986, or  
26 any subsequent corresponding internal revenue code of the United  
27 States, as amended from time to time, and which] that has caused the  
28 insured to be confined for at least six months (i) in such insured's place  
29 of residence under the supervision of a physician or an advanced  
30 practice registered nurse, or (ii) in an institution, as defined in the  
31 policy, that provides necessary care or treatment of an injury, illness or  
32 loss of functional capacity, and for which it has been medically  
33 determined that such insured is expected to remain confined in such  
34 place of residence or institution until death, (D) a medically  
35 determinable condition that has resulted in (i) the insured being  
36 permanently unable to perform two activities of daily living without  
37 substantial assistance from another individual, or (ii) severe  
38 permanent cognitive impairment of the insured, or (E) a medically  
39 determinable condition that has resulted in the insured being  
40 considered a chronically ill individual for the purposes of Section  
41 7702B and Section 101(g) of the Internal Revenue Code of 1986, or any  
42 subsequent corresponding internal revenue code of the United States,  
43 as amended from time to time. As used in this subdivision, "activity of  
44 daily living" means bathing, continence, dressing, eating, toileting or  
45 transferring.

46 (b) [On and after October 1, 1990, any] Any life insurance company

47 or fraternal [benefits] benefit society doing business in this state may  
48 issue accelerated benefits life insurance policies, as described in this  
49 section, and certificates, riders or endorsements to existing life  
50 insurance policies that provide accelerated benefits, as described in  
51 this section.

52 (c) An accelerated benefits life insurance policy shall not include a  
53 policy providing for disability income protection coverage or long-  
54 term care coverage, as defined in sections 38a-501 and 38a-528.

55 (d) (1) [Death benefits may not be reduced] No life insurance  
56 company or fraternal benefit society may reduce death benefits more  
57 than the amount of the accelerated benefits paid plus any applicable  
58 actuarial discount appropriate to the policy design for policies without  
59 additional premium payments. When an accelerated benefit is paid,  
60 the amount paid may be considered as (A) a pro rata reduction in cash  
61 value or death benefits, or both, or (B) a lien against the death benefit  
62 of the contract and the access to the cash value shall be restricted to  
63 any excess of the cash value over the sum of other outstanding loans  
64 and the lien.

65 (2) The accidental death benefit, if any, in the policy shall not be  
66 affected by the payment of the accelerated benefit.

67 (e) [All accelerated benefits policies] Each life insurance company or  
68 fraternal benefit society that issues accelerated benefits life insurance  
69 policies shall comply with the following disclosure requirements for  
70 such policies:

71 (1) [The face of every accelerated benefits policy shall contain]  
72 Inclusion on the face of each such policy of: (A) A description of  
73 coverage [which] that uses the terminology "accelerated", and (B) the  
74 following statement: "Benefits as specified under this policy will be  
75 reduced upon receipt of an accelerated benefit."

76 (2) Disclosure, [is required,] at the time of application and at the

77 time the accelerated benefits payment request is submitted, of the  
78 potential tax implications of receiving [this] the accelerated benefits  
79 payout. The disclosure statement shall indicate that the receipt of  
80 accelerated benefits may be taxable and that the insured should seek  
81 assistance from their personal tax advisor. Such disclosure shall be  
82 prominently displayed on the first page of the policy.

83 (3) [Prior] Provision to the applicant, prior to or concurrent with the  
84 application, [the applicant shall be given] of a written disclosure  
85 including, but not limited to, a brief description of the accelerated  
86 benefit, the effect of the payment of an accelerated benefit on the  
87 policy's cash value, death benefit, premium, policy loans and policy  
88 liens, and definitions of the conditions or occurrences triggering  
89 payment of the accelerated benefits. In the event of direct mail  
90 solicitation, the disclosure shall be [made] provided upon acceptance  
91 of the application.

92 (4) [The insurer shall disclose] Disclosure by such insurance  
93 company in its solicitation of any separate identifiable premium for the  
94 accelerated benefit. Those [insurers] insurance companies indicating  
95 that this accelerated benefit is offered without additional premium  
96 shall furnish a written explanation to the Insurance Commissioner  
97 when filing the product.

98 (5) [Prior] Provision to the applicant, prior to or concurrent with the  
99 request for accelerated death benefits, [the applicant shall be given] of  
100 an illustration demonstrating the effect of the payment of an  
101 accelerated benefit on the policy's cash value, death benefit, premium,  
102 policy loans and policy liens.

103 (6) Inclusion of the following statement, in any life insurance policy  
104 or any certificate, rider or endorsement thereto, that provides  
105 accelerated benefits pursuant to the occurrence of a qualifying event,  
106 as set forth in subparagraph (C), (D) or (E) of subdivision (3) of  
107 subsection (a) of this section, printed in a conspicuous and readily

108 discernible manner: "This policy is not a long-term care policy as  
 109 defined in sections 38a-501 and 38a-528 of the Connecticut General  
 110 Statutes."

111 (f) [The insurer] Each life insurance company that issues an  
 112 accelerated benefits life insurance policy shall file with the Insurance  
 113 Department the information concerning the manner by which the  
 114 actuarial discount and mortality charge, if any, is calculated for the  
 115 accelerated benefit. The commissioner, if he or she determines that  
 116 such discount or mortality charge is excessive, shall hold a hearing to  
 117 determine such reasonable charges.

118 [(g) Any life insurance policy or any certificate, rider or  
 119 endorsement thereto, which provides accelerated benefits pursuant to  
 120 the occurrence of a qualifying event, as defined in subparagraph (C) of  
 121 subdivision (3) of subsection (a) of this section, shall contain the  
 122 following statement printed in a conspicuous and readily discernible  
 123 manner: "This policy is not a long-term care policy as defined in  
 124 sections 38a-501 and 38a-528 of the Connecticut General Statutes."]

125 [(h)] (g) The Insurance Commissioner may adopt, in accordance  
 126 with chapter 54, such regulations as the commissioner deems  
 127 necessary for the purpose of this section, including the medically  
 128 determinable conditions that are considered to be qualifying events as  
 129 set forth in subdivision (3) of subsection (a) of this section, and the  
 130 authority to establish the minimum or maximum benefit, if any,  
 131 payable under an accelerated benefit policy. Prior to the effective date  
 132 of any such regulations, any such policy may be filed with the  
 133 commissioner and, at the commissioner's discretion, may be approved.

This act shall take effect as follows and shall amend the following sections:

Section 1	October 1, 2016	38a-457
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***Statement of Purpose:***

To redefine "qualifying event" for purposes of accelerated benefits of a life insurance policy.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*